

# City of Hayward

FY 2016 PROPOSED ANNUAL  
OPERATING BUDGET

Fran David, City Manager  
Tracy Vesely, Director of Finance  
**May 26, 2015**



# Presentation Topics

- ▶ No action tonight – presentation of proposed budget
- ▶ The Budget Message
- ▶ Overview FY 2016 budget
- ▶ The General Fund & forecast
- ▶ Key budget influences
- ▶ Next Steps



# The Message

- ▶ Council has taken bold action last several years
- ▶ \$30M projected gap (2011) to \$0 (2016)
- ▶ 1<sup>st</sup> balanced budget without use of Reserves in years
- ▶ Trade-offs to achieve balance
- ▶ Deficit/gap returns in FY 2017 and grows
- ▶ Budget provides some critical staffing resources
- ▶ Maintains high service levels – Council priorities



# Budget Overview

- ▶ Economy is recovering, but expenses continue to grow
- ▶ Key revenues improved: Property & Sales Tax, building-related fees
- ▶ Employee benefit costs rising (CalPERS, OPEB liability, medical)
- ▶ General Fund Deficit returns in FY 2017 = \$3.6M and grows
- ▶ Can not use Reserve to balance future budgets
- ▶ Other key revenue funds using fund balance (water, wastewater, recycling, facilities and fleet)
- ▶ Continue to work toward fiscal stability
- ▶ Budget document updates



# Total City Budget

(expenditures)

<i>in 1,000's</i>	<b>FY 2015 Adopted</b>	<b>FY 2016 Proposed</b>	<b>\$ Change</b>	<b>% Change</b>
General Fund	\$133,304	\$140,422	\$7,118	5.3%
Other Funds	\$119,646	\$139,310	\$19,664	16.4%
<b>Total</b>	<b>\$252,950</b>	<b>\$279,732</b>	<b>\$26,782</b>	<b>10.6%</b>

- ▶ General Fund Increase over FY 2015 Adopted of \$7.1M
- ▶ Total City budget growth of 10.6%
  - ▶ Includes Measure C

# Total City Staffing – 865.2 FTE

6

	FY 2015 Adopted	FY 2016 Proposed	# Change	% Change
General Fund	642.7	646.7	4.0	0.6%
Other Funds	181.5	218.5	37.0	20.4%
<b>Total</b>	<b>824.2</b>	<b>865.2</b>	<b>41.0</b>	<b>5%</b>

- ▶ FY 2003: high of 773 General Fund and 937 all funds FTE
- ▶ Limited General Fund staffing additions
- ▶ Adds Measure C and Enterprise Funds staffing
- ▶ Does not come close to full resource needs

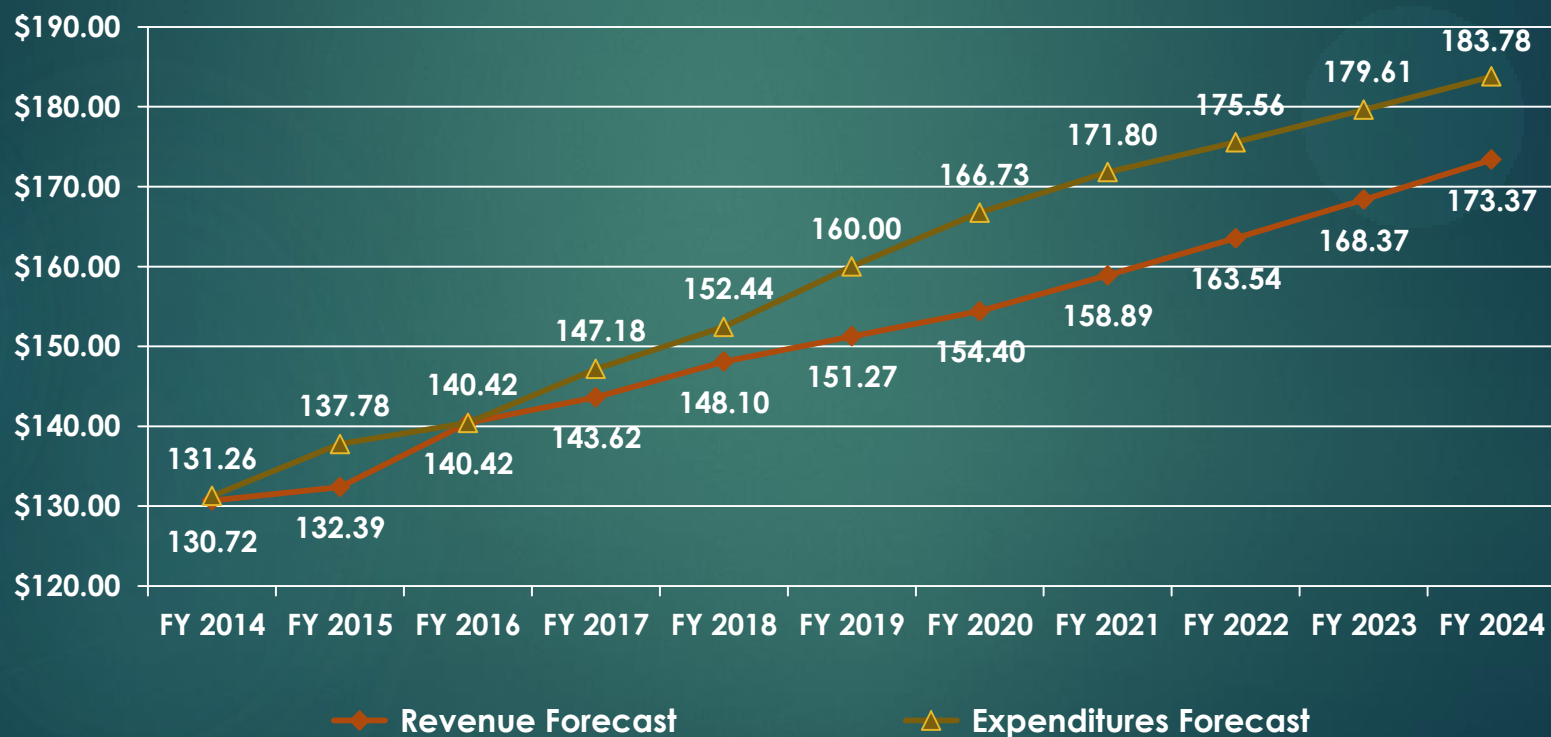


# General Fund Forecast

FY 2016 Gap = \$ 0 (barely...)

FY 2017 Gap = \$3.6M

FY 2023 Gap = \$10.4M



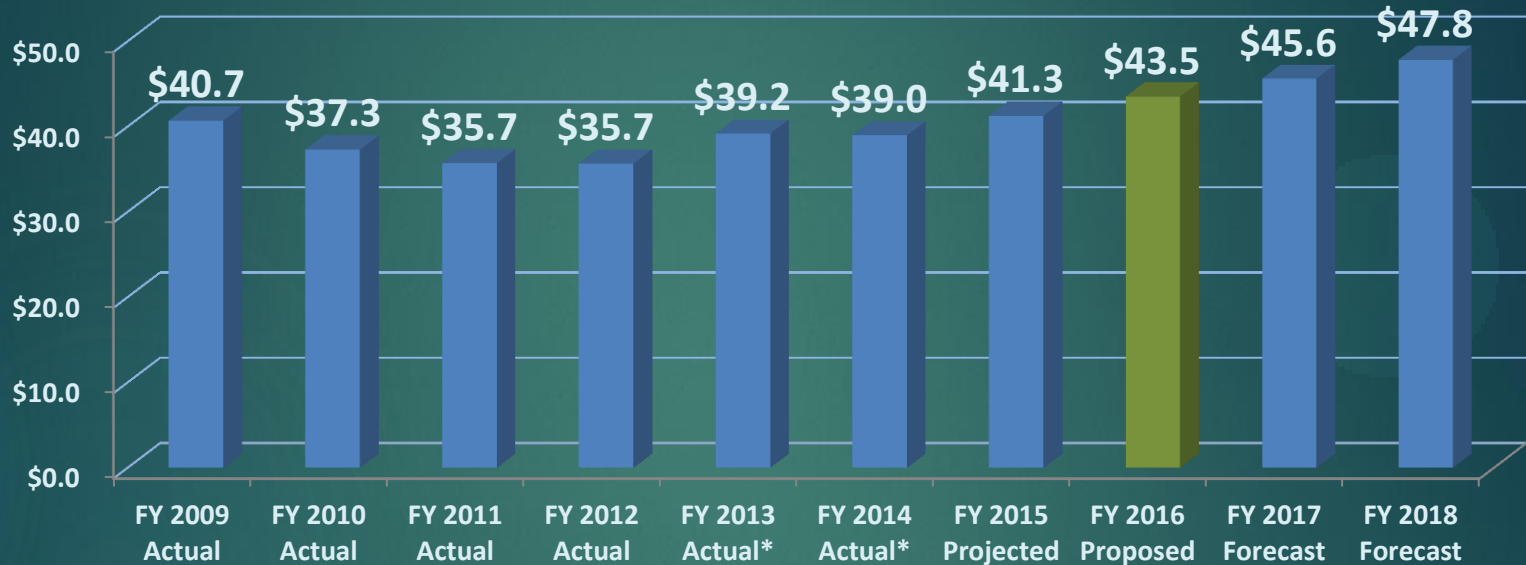


# GF Revenues

- ▶ Overall growth over FY 2015 Adopted = \$12M
- ▶ Property Tax revenues rebounding
- ▶ Sales Tax revenues back to pre-recession levels, but now slowing
- ▶ UUT increase due to power plant electricity use
- ▶ Property Transfer Tax – hopeful projections for FY 2016
- ▶ Charges for Services – building related activity



# Property Tax Projections

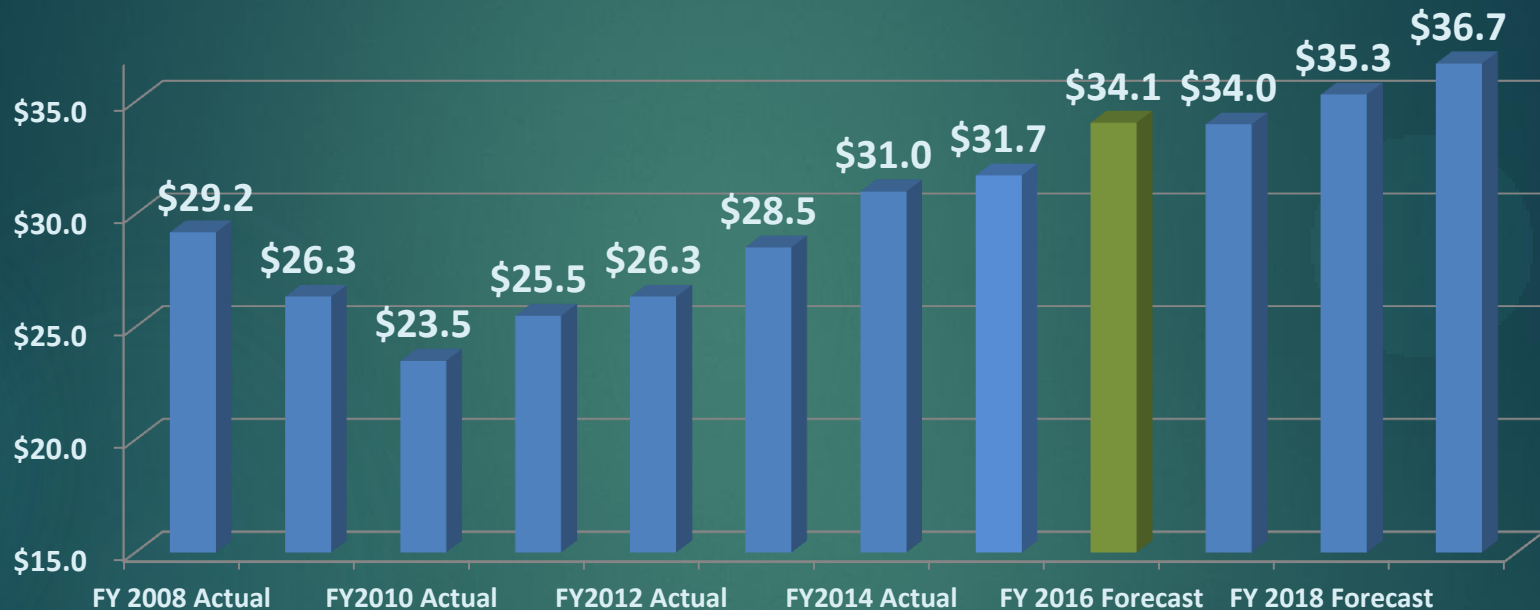


\*FY 2013 includes \$1.9M one-time revenue

\*FY 2014 includes \$1.34M one-time revenue

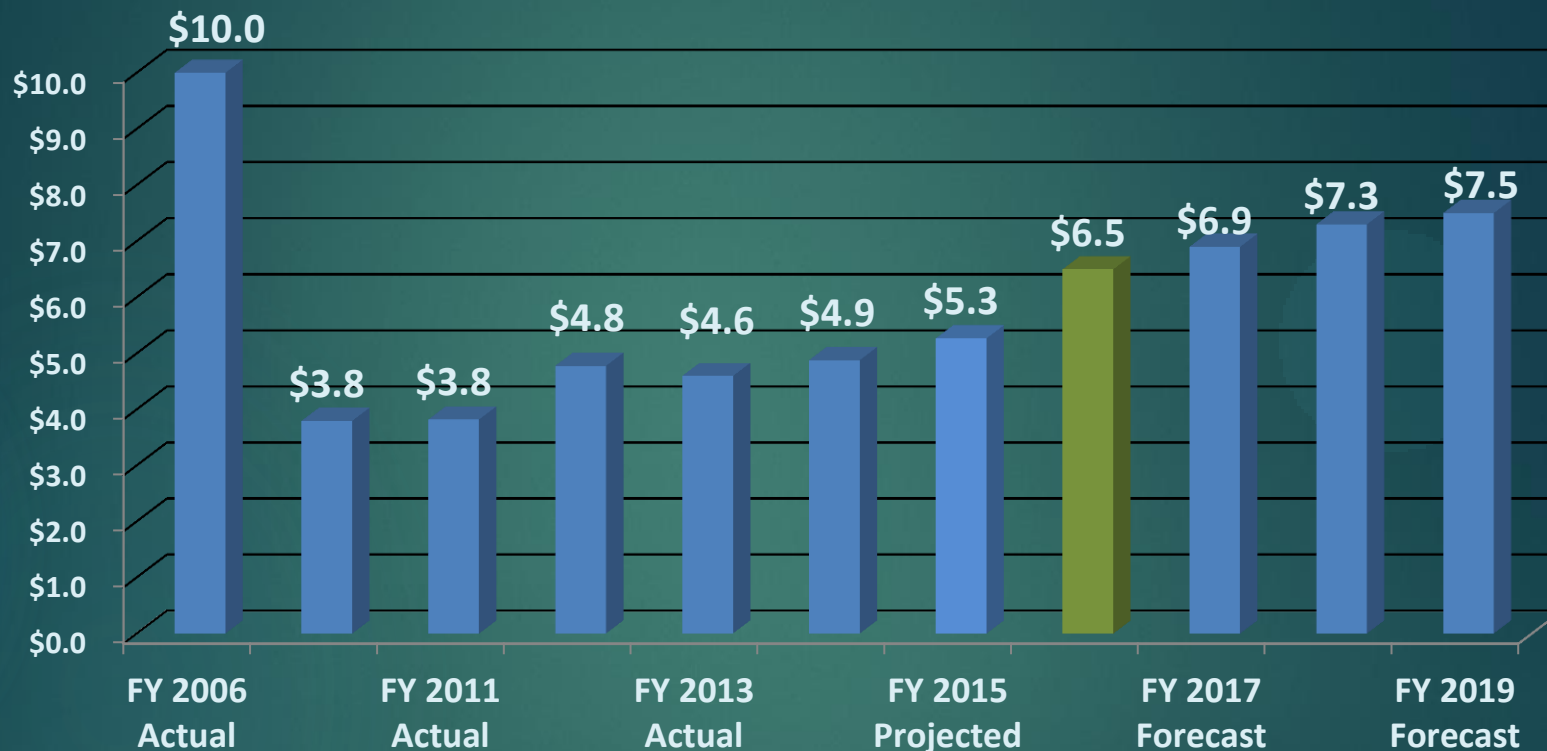
- ▶ FY 2016 projection increased by \$3.0M (7.4% over FY 2015)
- ▶ FY 2017 and future years growth at 4.% - 5%
- ▶ Next recession?

# Sales Tax Projections



- ▶ FY 2016 forecast includes \$1.2M in one-time revenues from Triple Flip end
- ▶ Future years reflect modest 3-4% growth
- ▶ Continued erosion of Sales Tax base

# Property Transfer Tax Projections



- ▶ FY 201 forecast reflects optimistic market
- ▶ Future years reflect modest growth
- ▶ Volatile revenue tied to the real estate market



# GF Ten Year Plan Cost Drivers

- ▶ Escalating CalPERS rates – increase almost 60% by FY 2023
- ▶ Retiree Medical minimum contribution (ARC) – partially funded
  - ▶ Longer it is underfunded the larger the liability grows
  - ▶ Total benefit liabilities = \$379M
- ▶ Minimal wage growth assumptions
  - ▶ Only contractually agreed upon wage growth in FY 2016
- ▶ Limited capital costs:
  - ▶ fleet
  - ▶ technology
  - ▶ streets maintenance

# Key FY 2016 General Fund Expenditure Increases

- ▶ PERS rates skyrocketing \$3.0M
- ▶ Medical \$550K
- ▶ Retiree Medical (pay-go) \$567K
- ▶ OPEB Unfunded Liability \$1.0M  
(\$4.5M out of \$6.5M)
- ▶ Internal Service Fund (fleet & technology) \$1.8M

# FY 2016 Budget Calendar



- May 26, 2015: Proposed Budget
- May 30, 2015: Saturday Budget Work Session
- June 2, 2015: Budget Work Session #2 & CIP Work Session
- June 16, 2015: Public hearing on operating budget
- June 23, 2015: Adopt operating & CIP budgets



# Questions & Discussion

